

Message Text

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11

ACTION EUR-12

INFO OCT-01 AF-08 IO-13 ISO-00 AID-05 CIAE-00 COME-00

EB-07 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02

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INFO AMEMBASSY BONN

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USMISSION EC BRUSSELS

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USMISSION OECD PARIS

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AMCONSUL ZURICH

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PASS TREASURY AND FRB

EO 11652: NA

TAGS: EFIN SZ

SUBJ: SWISS CONTROLS ON FOREIGN BANKNOTE IMPORTS - FURTHER REACTIONS

1. SUMMARY: WE HAVE DISCUSSED THIS ACTION WITH BANKERS,
THE SWISS POLITICAL DEPARTMENT AND OTHERS. NONE CONTEST
THE VIEW THAT THE DECISION WAS TAKEN FOR POLITICAL REASONS.
SWISS GOVERNMENT OFFICIALS DENY THAT, AS PRESS REPORTS
WOULD HAVE IT, THE ACTION WAS BASED ON A REQUEST FROM THE GOI.

2. AN OFFICER OF ONE OF THE LARGEST SWISS BANKS TOLD
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US THAT HE WAS CERTAIN THERE WAS OPPOSITION IN THE

SWISS NATIONAL BANK (SNB) TO THIS MOVE. HOWEVER, THE SWISS FEDERAL COUNCIL DECIDED TO ACT BECAUSE WIDESPREAD SPECULATION IN THE PRESS OVER THE PAST WEEK ABOUT CONTROLS MADE IT TOO EMBARRASSING NOT TO DO SOMETHING. HE SAID THAT BANKERS FEAR THESE CONTROLS WILL LEAD TO MORE RESTRICTIONS. BANKS HAVE ALREADY BEEN TOLD NOT TO EXCHANGE BANKNOTES FOR SWISS FRANCS FOR PEOPLE IN TRANSIT. THIS WILL CAUSE PROBLEMS FOR TRAVELERS WHO WISH TO MAKE PURCHASES IN DUTY-FREE SHOPS OR TO EXCHANGE CURRENCY BEFORE GOING THROUGH CUSTOMS (IN ZURICH AT LEAST ONE BANK HAS FACILITIES IN THE BAGGAGE-CLAIM AREA).

3. A POLITICAL DEPT OFFICIAL SAID THAT THERE WAS NO QUESTION ABOUT THE PURPOSE OF THE CONTROLS. THEY ARE INTENDED AS A GESTURE OF SUPPORT FOR ITALY. THE ONLY LEGAL BASIS IN SWISS LAW IS THE CLAUSE THAT DIRECTS THE SNB TO PROTECT THE SOUNDNESS OF THE CURRENCY; THEREFORE ONE OF THE REASONS GIVEN HAD TO BE TO HELP PREVENT FURTHER APPRECIATION OF THE SWISS FRANC. HE THOUGHT THAT THE LIMITATION MIGHT HAVE AN EFFECT ON THE WELL-ORGANIZED BANKNOTE TRADE IN THE TESSIN AREA WHERE, HE SAID, TRUCKLOADS OF LIRE HAD BEEN BROUGHT IN AND EXCHANGED THROUGH THE BANKS, BUT THAT THE TOTAL ECONOMIC IMPACT WOULD BE MINOR.

4. THE SNB WAS HEAVILY IN THE MARKET ON WEDNESDAY. THE MORE CYNICAL AMONG OUR CONTACTS SAY THAT THIS WAS DELIBERATE MANIPULATION INTENDED TO DEMONSTRATE THAT THE CONTROLS ON IMPORTS OF BANKNOTES WERE HAVING AN EFFECT ON THE RATE.

5. SNB CALLED BANKERS TO A MEETING ON APRIL 22, THE ANNOUNCED PURPOSE OF WHICH WAS TO COMMENT FURTHER ON WRITTEN COMMENTS ALREADY PROVIDED WITH THE ORDER IMPOSING THE CONTROLS. THE PRESS REPORTS THAT THE BANKS WERE ASKED TO AGREE NOT TO ACCEPT VERY LARGE DENOMINATION (50,000 AND 100,000) LIRE NOTES. THIS GENTLEMEN'S AGREEMENT WOULD ALSO APPLY TO CHECKS PAYABLE ONLY IN ITALY.

6. AN EDITORIAL IN AGENCE ECONOMIQUE ET FINANCIERE, LIMITED OFFICIAL USE

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CONCLUDING THAT THE ECONOMIC IMPACT WILL INDEED BE VERY SLIGHT, GOES ON TO ASK WHY, THEN, THE BANKS ARE SO CONCERNED. IN ANSWER, AGEFI SAYS THAT IT IS BECAUSE OF THE MORE AND MORE FREQUENT ATTACKS ON THE BANKS AND IN PARTICULAR ON BANKING SECRECY AND NUMBERED ACCOUNTS, WHICH EMANATE FROM CERTAIN EXTREMISTS AND FROM FOREIGN GOVTS. THE BANKS FEAR THAT THIS NEW ORDER, WHICH IS A RESTRICTION ON THEIR FREEDOM, HOWEVER

SMALL IN ITSELF, WILL LEAD TO MORE RIGOROUS EXCHANGE
CONTROLS, PARTICULARLY SINCE THEY KNOW OTHER MEASURES
ARE UNDER STUDY. IF ONE IMPOSES SUCH RESTRICTIONS,
SAYS AGEFI, ONE CAN LOWER THE RATE FOR THE SWISS FRANC,
BUT AT THE COST OF MAKING SWITZERLAND POORER.

7. EMBASSY TRANSLATION OF ORDER AND ACCOMPANYING
SNB COMMENTS WILL BE FORWARDED ASAP.
DAVIS

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